

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3271-02
Bill No.: HB 1570
Subject: Transportation; Roads and Highways; Motor Fuel; Taxation and Revenue -
General; Highway Patrol; Revenue Dept.; Licenses - Motor Vehicle
Type: Original
Date: January 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$897,431)	\$0	\$0
State Highway Fund	(\$31,711)	\$0	\$0
State Road Fund	\$372,582,446	\$792,946,537	\$820,066,537
State Transportation Fund	\$10,208,000	\$21,215,000	\$22,046,000
Missouri State Highway Patrol Fund	\$6,604,085	\$15,849,805	\$15,849,805
Total Estimated Net Effect on <u>All</u> State Funds	<u>\$388,465,389</u>	<u>\$830,011,342</u>	<u>\$857,962,342</u>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	<u>\$28,616,482</u>	<u>\$67,166,842</u>	<u>\$68,199,426</u>

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Revenue - State Tax Commission (TAX)**, **Department of Public Safety (DPS)**, **Missouri State Highway Patrol (MHP)**, **State Treasurer's Office (STO)**, **Missouri House of Representatives (MHR)**, and the **Missouri Senate (SEN)** assume the proposal will have no fiscal impact to their agency.

Officials with the **Office of the Secretary of State (SOS)** assume the proposal will require the Missouri Departments of Transportation, Public Safety, Revenue, Highway Patrol, Highway Reciprocity Commission, and Missouri Water Patrol to promulgate new rules and regulations as they pertain to the licensure and applicable fees for certain types of vehicles. The legislation also establishes the Missouri State Highway Patrol Fund and raises fuel and sales taxes, as well as vehicle and vessel registration fees to fund transportation projects.

Based on prior regulations, these agencies' rules and forms could require as many as 125 pages in the Code of State Regulations. Because rules in their proposed version are also published in the Missouri Register, one and one-half again as many pages (188 pages) will be required to be published in this publication because cost statements, fiscal notes, etc., are not republished in the Code. The cost per page of text in the Missouri Register is \$23.00, thereby yielding a total cost of \$4,324 (\$23 x 188). The cost per page in the Code of State Regulations is \$27.00, thereby yielding a total cost of \$3,375 (\$27 x 125). The total cost incurred by the Secretary of State would then be \$7,699 (\$4,324 + \$3,375). All of the previous costs are estimated. The actual cost could be more or less than the estimate provided.

Oversight assumes the **SOS** could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the **SOS** could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

The **SOS** has estimated advertisement costs for the proposal. Statewide newspaper publications of constitutional amendments cost approximately \$1,460 per newspaper column inch based on

ASSUMPTION (continued)

estimates provided by the Missouri Press Service, which is then multiplied by three (3) for three multiple printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit as required by the Constitution and State Statute. Therefore, the proposal would cost \$4,380 per column inch ($\$1,460 \times 3$). The SOS estimates the total number of inches for the amendment to be 170 inches. Therefore, the total cost from the General Revenue fund would be \$744,600 ($\$4,380 \times 40$). The proposal would be on the ballot for the November, 2002 general election.

Since this proposal has a referendum clause the revenue impact of this proposal would be reflected in the fiscal year following voter approval.

Officials with the **Department of Transportation (MoDOT)** assumes the proposal affects revenues beginning January 1, 2003. The growth rate on motor vehicle sales/use tax is estimated at 4.5% for FY 03 and 3% in subsequent years; the growth rate on general state sales tax estimated at 3.5% for FY 03 and 4% in subsequent years; the growth rate on motor vehicle license revenues estimated at 1.5%; growth rate on motor fuel tax estimated at 1.2%.

MoDOT assumes the following base figures from FY 2001:

Motor Fuel Tax

Total motor fuel sold: 3,833,592,800 gallons.

MoDOT multiplied this amount times the 1 cent they are allocated from these monies to derive \$38,335,928. MoDOT then projected that the number of gallons would grow at a yearly rate of 1.2%. They multiplied the \$38,335,928 by 1.012 for FY 2002 and FY 2003 to yield a projected amount of \$39,261,510. MoDOT officials then multiplied this amount by 4 cents to illustrate the net gain 4 cent gain this proposal would produce. After calculating \$157,046,042 as the gross motor fuel tax increase in the previous step, MoDOT reduced this amount to the 70% (\$109,932,229) they get to keep (the other 30% is given to cities and counties). Finally, because MoDOT assumes this act will become effective January 1 of 2003, motor fuel taxes would be collected for only 5 months of the remaining fiscal year. Therefore, MoDOT multiplied the remaining \$109,932,229 by five twelfths (5/12) to derive the final amount due to the State Road Fund in FY 2003. The remaining two years of MoDOT's motor fuel tax projection follow the same methodology with the exception that revenue will be recognized for the complete twelve month fiscal year.

Note: the following calculations employ the methodology used above.

ASSUMPTION (continued)

Motor Vehicle Sales Tax

Total motor vehicle sales tax revenue: \$7,881,283,800

Projected growth rate: .6% in FY 02, 4.5% in FY 03

Motor Vehicle Use Tax

Total motor vehicle use tax revenue: \$1,246,080,000

Projected growth rate: .6% in FY 02, 4.5% in FY 03

General Sales Tax

Total general sales tax revenue (excluding MV sales/use tax): \$54,659,358,100

Projected growth rate: 2.3% in FY 02, 3.5% in FY 03

Officials with the **Department of Revenue** assume the following impacts:

ADMINISTRATIVE IMPACT

Division of Taxation

The Business Tax section will have to notify 150,000 businesses of the general revenue tax increase as well as identify those who actually sell liquor and non-alcoholic beer. A separate mailing will have to be sent to liquor and non-alcoholic beer licensees. Currently there are approximately 7,600 accounts registered to sell liquor. There will also need to be notification letters sent to the 900 motor fuel and cigarette tax licensees and to all cities and counties. These notifications will be implemented through updating current forms and billing letters. The Division of Taxation will not request additional funds for this notification.

Information Technology Bureau (Taxation)

The MITS system will need program changes, including testing requirements to ensure proper tax rates have been applied to the system, produce a mass mailing utilizing a new form letter to inform taxpayers of the increase in the state sales tax rate and provide new rate card. In addition, these tax increases are deposited to different funds, therefore, revenue generated from the increases will have to be kept separate and tracked. The current system allows for items exempt from taxes; however, the system will now have to have two additional item codes that identify the *increase*. This will require different program logic to be used to track the increases. These changes will require 2,768 hours of programming at a total cost of \$92,340. The state data center charges to implement the proposed legislation are \$18,013.

ASSUMPTION (continued)

Division of Motor Vehicle and Drivers Licensing

Vehicle and Driver Service Bureau

This proposal will require various changes to the Vehicle and Driver Services Bureau policies, procedures and forms. The VDSB will incur cost in the amount of \$25,942 to ensure these changes are incorporated. (This also includes a forms destruction cost do to current forms inventory and implementation date of this proposal of \$4,412.)

The sales tax increase will also generate rejects for the improper amount of tax being submitted. This will have **unknown impact** as the VDSB can not determine the number of actual rejects this proposal will generate.

Information Technology Bureau

Programming modifications will need to be made to our General Registration System and the Field Automated System for Titling and Registration. Programming modifications for the in-house General Registration System will require \$5,769.

A cost analysis has been requested from the current contract vendor, UNISYS, Inc. for programming changes necessary to the FASTR system. The vendor has not responded at the time of completion of this fiscal note; therefore, the **cost is UNKNOWN**.

REVENUE IMPACT

Vehicle Registration Fee Increases

There would be an increase in revenue from the increase registration fees for the different classes of motor vehicles. The revenue increase is estimated based on statistics from our General Registration System. The estimated revenue impact is as follows:

FY03 (6 mos)	FY04	FY05
\$8,681,928	\$15,032,138	\$15,182,459

Highway Reciprocity Commission

This proposal also increases vehicle registration fees in coordination with the Highway Reciprocity Commission. Interstate Vehicles. The Highway Reciprocity Commission provided the following totals based on the proposed increases to interstate vehicles, which includes registration fee increases for all carriers, trip permit fee increase for all carriers and hunter permits for all carriers.

ASSUMPTION (continued)

Total Increase to Revenue based on increased registration fees, trip permits and hunter permits.

FY03	FY04	FY05
\$0	\$6,759,245	\$6,759,245

DOR notes that because Highway Reciprocity fees are paid for the entire fiscal year in December, there would be no revenue collected for the final six months of FY 2003.

Oversight assumes the DOR's projection of Motor Vehicle Registration Fee Revenue to be more reasonable than MoDOT's projection and therefore incorporated the DOR's revenue impact for this item into MoDOT's total State Road Fund projection.

Oversight assumes the following in projecting the Cigarette Tax:

The FY 2000 gross cigarette tax revenue was \$119,608,106. After determining that this proposal would result in an additional 1 cent per pack, we divided the total FY 2000 revenue amount by 17 cents (per pack of 20) to derive \$7,035,771. We multiplied this amount by five twelfths 5/12 (because the tax would only be collected for the final 5 months of the fiscal year) to yield a FY 2003 cigarette tax revenue of \$2,931,571. The following two FY's revenue was assumed to remain at a steady rate of \$7,035,771.

Oversight assumes the following in projecting the Liquor Sales Tax:

In 1999, drinking establishments and liquor stores nationwide accounted for approximately \$42.1 billion (1.4%) of the \$2,994.9 billion retail sales. We projected gross state General Revenue sales tax to be \$1,888,721,600 for FY 2003. When this amount is multiplied by the 1.4% average of liquor to total retail sales, we derived an amount of \$26,442,102. Due to the proposal raising the tax on liquor by an additional 1 %, we determined that the yearly increase in sales tax due to the proposal would be \$8,814,034 ($\$26,442,102 \times .333$). We multiplied this amount by five twelfths 5/12 (because the tax would only be collected for the final 5 months of the fiscal year) to yield a FY 2003 liquor tax revenue of \$3,672,514. The following two FY's revenue was assumed to remain at a steady rate of \$8,814,034.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Cost – DOR</u>			
Increased Taxation Expenses	(\$152,831)	\$0	\$0
<u>Cost – SOS</u>			
Election Printing Costs	<u>(\$744,600)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$897,431)</u>	<u>\$0</u>	<u>\$0</u>
STATE HIGHWAY FUND			
<u>Cost – DOR</u>			
Increased Vehicle and Driver Services Bureau costs	<u>(\$31,711)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO STATE HIGHWAY FUND	<u>(\$31,711)</u>	<u>\$0</u>	<u>\$0</u>
STATE ROAD FUND			
<u>Revenues – MoDOT</u>			
Increased Taxes	\$368,414,446	\$784,485,537	\$811,479,537
Administrative Sanctions	<u>\$4,168,000</u>	<u>\$8,461,000</u>	<u>\$8,587,000</u>
ESTIMATED NET EFFECT TO STATE ROAD FUND	<u>\$372,582,446</u>	<u>\$792,946,537</u>	<u>\$820,066,537</u>
STATE TRANSPORTATION FUND			
<u>Revenues – MoDOT</u>			
Increased Taxes	<u>\$10,208,000</u>	<u>\$21,215,000</u>	<u>\$22,046,000</u>
ESTIMATED NET EFFECT TO STATE TRANSPORTATION FUND	<u>\$10,208,000</u>	<u>\$21,215,000</u>	<u>\$22,046,000</u>

**MISSOURI STATE HIGHWAY
PATROL FUND**

<u>Revenue</u> – Cigarette Tax	\$2,931,571	\$7,035,771	\$7,035,771
<u>Revenue</u> – Liquor Sales Tax	<u>\$3,672,514</u>	<u>\$8,814,034</u>	<u>\$8,814,034</u>

**ESTIMATED NET EFFECT TO
 MISSOURI STATE HIGHWAY
 PATROL FUND**

<u>\$6,604,085</u>	<u>\$15,849,805</u>	<u>\$15,849,805</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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Revenues – Counties and Municipalities

Motor Fuel Tax	\$19,631,000	\$47,679,000	\$48,252,000
Motor Vehicle Tax	\$5,178,000	\$10,667,000	\$10,987,000
Motor Vehicle Use Tax	\$1,637,000	\$3,373,000	\$3,475,000
Motor Vehicle Registration Fees	<u>\$2,170,482</u>	<u>\$5,447,842</u>	<u>\$5,485,426</u>

**ESTIMATED NET EFFECT TO
 COUNTIES AND MUNICIPALITIES**

<u>\$28,616,482</u>	<u>\$67,166,842</u>	<u>\$68,199,426</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal. Small businesses would pay the increase in sales tax on goods they purchase which are not intended for resale. Businesses would be required to collect the increase in sales tax from resale customers and remit the amount to the state. The cost for businesses to implement this change is unknown. Trucking and shipping companies will have to pay for increased registration fees. The costs businesses incur to implement these changes is unknown.

DESCRIPTION

This act raises additional revenues for transportation purposes.

MISSOURI STATE HIGHWAY PATROL FUND – Established in the state treasury.

FUEL TAX - Phases in a net 4-cent fuel tax increase.

SALES TAX - Increases the General Sales Tax by one percent.

DESCRIPTION (Continued)

USE TAX - Increases by one percent the use tax charged on the sale of motor vehicles.

JT:LR:OD (12/00)

LIQUOR AND NON-INTOXICATING BEER – Increases by one-percent to go to the Missouri State Highway Patrol Fund.

CIGARETTE TAX – Increases by one half (½) mill sales on all cigarettes.

BOND ISSUANCE – Allows issuance of bonds for fiscal years 2007 to 2022 for highway construction projects.

REGISTRATION FEES - Raises general registration fees.

REFERENDUM CLAUSE - States that this act shall become effective upon voter approval.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation

Department of Revenue

Motor Vehicle Commission

Missouri Tax Commission

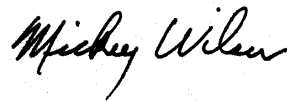
Office of State Treasurer

Division of Public Safety

Missouri State Highway Patrol

Office of Secretary of State

Mickey Wilson, CPA

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Acting Director
January 18, 2002